

Message Text

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16

ACTION NEA-10

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SUBJECT: SAUDI LARGESSE TO YEMEN REACHES NEW HEIGHTS

1. BEGIN SUMMARY. SANA IN STATE OF HAPPY SHOCK FOLLOWING PRIMIN
ABD AL-AZIZ ABD AL-GHANI'S AUG 3-6 VISIT TO SAUDI ARABIA WHICH
NETTED YAR OVER \$700 MILLION IN NEW AID PROJECTS AND BUDGET SUPPORT.
SAUDI LARGESSE EXCEEDED NOT ONLY YARG EXPECTATIONS BUT ALSO THEIR
REQUESTS. A \$300 MILLION REFINERY PROJECT, A \$60 MILLION SAUDI-

YEMEN AIRWAYS JOINT VENTURE, INCREASED BUDGET SUBJECT AND A MASSIVE
ROAD CONSTRUCTION PROJECT ARE AMONG PROJECTS APPROVED BY SAUDI
ARABIA. ALTHOUGH NO MONETARY ASSISTANCE WAS AGREED UPON DURING

PM'S TRIP, RELIABLY REPORTED THAT SAUDI MINDEF PRINCE SULTAN
SENT MESSAGE WITH ABD AL-GHANI TO COMMAND COUNCIL CHAIRMAN HAMDI
ASSURING HIM THAT A SAG PROPOSAL RE YAR'S MILITARY REQUIREMENTS
WOULD BE PREPARED IN TIME FOR YEMEN CHIEF-OF-STAFF GHASHMI'S
FORTHCOMING OFFICIAL VISIT. TO OVERSEE PLANNING AND IMPLEMENTATION
OF PROPOSED AID PACKAGE, THE TWO GOVERNMENTS APPOINTED HIGH-LEVEL
BILATERAL COMMISSION CHAIRED BY PRINCE SULTAN AND YAR FONMIN
ABDALLAH AL-ASNAG. END SUMMARY.

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2. FOLLOWING IS BREAKDOWN OF SAG ASSISTANCE TO YAR ANNOUNCED AT CONCLUSION PRIMIN ABD AL-GHANI'S VISIT AUG 6. EXCEPT AS NOTED, MOST PROJECTS BELIEVED TO BE GRANTS INCLDKING PROJECTED REFINERY PROJECT AND SAUDI-YEMEN AIR JOINT VENTURE. IN ADDITION TO THESE ITEMS,SEPARATE AGREEMENTS INCLUDING ADDITIONAL PROJECTS REPORTEDLY SIGNED BY MININFO AND MINED, ALTHOUGH NO DETAILS AS YET DISCLOSED.

3. REFINERY PROJECT (\$300 MILLION): FOR FIRST TIME, SAUDIS PUT PRICE TAG ON PREVIOUSLY INDICATED WILLINGNESS TO FINANCE YEMEN REFINERY AS COUNTEROFFER TO STRONG 1974 OVERTURE FROM IRAQ. EXTENT OF COMMITMENT HIGHER THAN EXPECTED AND MAY INDICATE YEMENIS WON SAUDIS OVER TO ARGUMENT FOR HIGH CAPACITY FACILITY TO TAKE CARE OF PROJECTED RATHER THAN CURRENT PETROLEUM NEEDS ALONE. NO DECISION REACHED REGARDING SITE, ALTHOUGH HODEIDA, SALIF AND ZAYDIA ALL IN THE RUNNING.

4. SAUDIA-YEMEN AIR JOINT VENTURE (\$60 MILLION): DESPITE INDICATIONS FROM RIYADH OVER LAST TWO YEARS THAT SAG WILLING ASSISTYEMEN AIR, ISSUE IN RECENT MONTHS CONSIDERED DEAD LETTER, PARTICULARLY WITH RUMORS AFTER ABD AL-GHANI'S JULY VISIT IN FINANCING MANAGEMENT CONTRACT AND EQUIPMENT OVERHAUL FOR AIRLINE. ARRIVAL OF LARGE SAUDIA DELEGATION IN SANA PRIOR PRIMIN'S JIDDA VISIT GAVE NEW CURRENCY TO REPORTS THAT JOINT VENTURE WOULD BE ESTABLISHED WITH LARGE SAUDIA INPUT INTO NEW ORGANIZATION.

5. ROAD CONSTRUCTION (\$144 MILLION): OVER ONE-THIRD FUNDS (\$51 MILLION) FOR ROAD CONSTRUCTION IN YAR'S NORTHEASTERN REGION. AMONG ROADS TO BE CONSTRUCTED ARE A) PAVING OF RADA-BAIDA ROAD (ANNOUNCED FOLLOWING HAMDI'S MAY 1975 VISIT). B) YARIM - AL-RUDHUMA-DAMT-QATABA, C) SANA-JUHANA-SIRWAH (ON MAIN ROUTE TO MARIB), D) SANA-ARHAB AL-JAWF-HUTH-AL-QAFLA-'AHIM. SAUDIS ALSO AGREED TO ACCELERATE CONSTRUCTION OF JIZAN-HODEIDA AND DHAHRAN AL-JANUB--SADA ROADS WHICH ARE FUNDED SEPARATELY. (SEE SANA A-32) SCALE OF THIS CONSTRUCTION EFFORT PLUS POSSIBILITY FOR ADDITIONAL \$15.7 MILLION WORLD BANK/KUWAIT ROAD PROJECT COULD MAKE IT ATTRACTIVE FOR AMERICAN COMPANIES TO SEEK MAJOR ROLE HERE.

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6. MILL AND SILO CONSTUCTION (-5 MILLION DOLS): LOAN. YARG HAD BEEN EXPECTED, THROUGH FAO, TO APPLY TO WORLD BANK FOR FUNDING THIS PROJECT. SILOS WITH 200,000 TON CAPACITY WILL BE CONSTRUCTED SANA WHILE MILLS WITH 100,000 TON CAPACITY WILL BE BUILT HODEIDA AND TAIZ.

7. ELECTRIFICATION PROJECT (\$30 MILLION): DESIGNED TO PROVIDE ELECTRICITY IN CRUCIAL SANA-HODEIDA-TAIZ TRIANGLE.

MAY BE COORDINATED WITH ARAB FUND FOR ECONOMIC AND SOCIAL DEVELOPMENT'S (AFESD) PREVIOUSLY ANNOUNCED (DECEMBER 1974) PROJECT TO PROVIDE ADDITIONAL POWER PLANTS TO ALL LARGE CITIES. (SAUDI ARABIA JOINED AFESD APRIL 1975).

8. BUDGET DEFICIT (\$80.28 MILLION): SAUDI ARABIA HAS COVERED YARG'S ANNUAL BUDGET DEFICITS SINCE 1971 AND RISE IN OVERT BUDGET SUPPORT THIS YEAR GOD INDICATION OF SAG'S STRENGTHENED COMMITMENT TO CENTRAL GOVERNMENT. FY 86 BUDGET DEFICIT PRESENTLY ESTIMATED AT \$59.6 MILLION (FY 75 \$32.4 MILLION), ALTHOUGH AMOUNT GENERALLY INCREASES BY END OF YEAR. NEVERTHELESS, YARG'S EXPENDITURE EXPECTATIONS MAY HAVE RISEN AS RESULT OF NEWLY AGREED UPON PROGRAMS IN EDUCATION, INFORMATION AND OTHER FIELDS.

9. OIL AND FERTILIZER COMMODITY GRANTS: NO MONETARY VALUE GIVEN FOR SAUDI DONATIONS OF 50,000 TONS OF OIL AND 7000 TONS OF FERTILIZER. OIL DONATION REPRESENTS APPROXIMATELY ONE-SIXTH YAR'S ANNUAL PETROLEUM REQUIREMENTS AND PROVIDES, IN EFFECT, ANOTHER FORM OF BUDGET SUPPORT. SAUDIS (ALONG WITH ABU DHABI) HAVE MADE SIMILAR GRANTS IN PAST. AS IN THOSE INSTANCES, YEMEN PETROLEUM WILL HAVE TO ARRANGE WITH SHELL FOR SHIPMENT OF SAUDI CRUDE TO ADEN REFINERY OR FOR EXCHANGE OF SAME FOR SHELL CRUDE FROM OTHER SOURCES. CHEMICAL FERTILIZERS LITTLE USED UP TO NOW. THIS IS FIRST DONATION OF THIS KIND NOTED HERE.

10. IN ADDITION, SAUDI ARABIA AGREED TO CONSTRUCT CULTURAL AND TECHNICAL INSTITUTES AND OTHER BUILDINGS FOR MINED IN TAIZ, HODEIDA, AND IBB. NOT KNOWN AT PRESENT IF THESE BUILDINGS COVERED UNDER SEPARATE AGREEMENTS REPORTEDLY SIGNED BETWEEN YEMEN MINED, MININFO AND SAUDI COUNTERPARTS. (PARA 2).

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11. TO FOLLOW-UP AND IMPLEMENT PROPOSED PROJECTS THE TWO GOVERNMENTS FORMED JOINT COORDINATION COMMITTEE. SAUDI SIDE COMPOSED OF PRINCE SULTAN BIN ABD AL-AZIZ, PRINCE SAUD BIN FAYSAL, AND MINISTERS EDUCATION, INFORMATION, FINANCE, AND ECONOMY. YEMEN SIDE INCLUDES ABDALLAH AL-ASNAG AND MINISTERS EDUCATION (A FORMER CHAIRMAN YEMEN PETROLEUM), INFORMATION AND DEVELOPMENT.

12. COMMENT: SAUDI ARABIA HAS APPARENTLY DECIDED ONCE AND FOR ALL THAT ITS OWN SECURITY AND STABILITY CANNOT BE SEPARATED FROM EVENTS AND CONDITIONS IMQMR. DEPENDING ON OUTCOME CHIEF OF STAFF AHMED AL-GHASHMI'S FORTHCOMING SAUDI VISIT, HAMDI COULD HAVE "GRAND SLAM", AND, IN ANY CASE, HAS RECEIVED CONSIDERABLE BOOST TO HIS PRESTIGE. SAUDI GENEROSITY NOT WITHOUT RAMIFICATIONS

ON PDRY WHICH HAS BEEN PRESSED BY SAG AND OTHERS IN RECENT MONTHS
TO MODIFY ITS RADICAL POLICIES. EXTENT OF SAUDI FINANCIAL
COMMITMENT TO YARG MEETS INEVITABLE PDRY QUESTIONS ABOUT
CREDIBILITY AND IMPORTANCE SAUDI ENTICEMENTS WHILE, AT SAME
TIME, DRAMATICALLY UP-STAGING DEVELOPMENT PROGRAMS FINANCED
BY PDRY'S COMMUNIST BENEFACTORS. SCOPE OF SAUDI ARABIA'S
PROJECTS WILL PUT ADDITIONAL PRESSURE ON INCREASINGLY SCARCE
HUMAN RESOURCES HERE AND WILL UNDOUBTEDLY LESSEN MARGIN OF
YEMENI LABORERS AVAILABLE FOR EMPLOYMENT IN OTHER AREAS OF
PENINSULA. NOTEWORTHY
THAT YEMENIS WERE UNABLE TO WORK OUT (AS ANTICIPATED
SANA 2087) SOLUTIONS TO MANPOWER QUESTIONS REGARDING STATUS
YEMENI WORKERS IN SAUDI ARABIA. QUESTION WILL BE EXPLORED
FURTHER HERE AND WILL BE SUBJECT SEPTTEL.
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